

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 2445

To amend the Internal Revenue Code of 1986 to limit the applicability of the generation-skipping transfer tax.

---

## IN THE SENATE OF THE UNITED STATES

SEPTEMBER 21 (legislative day, SEPTEMBER 12), 1994

Mr. DANFORTH (for himself, Mr. BOREN, Mr. WALLOP, Mr. PRYOR, Mr. GRASSLEY, Mr. BAUCUS, Mr. CHAFEE, Mr. RIEGLE, Mr. ROTH, Mr. DASCHLE, and Mr. BREAUX) introduced the following bill; which was read twice and referred to the Committee on Finance

---

## A BILL

To amend the Internal Revenue Code of 1986 to limit the applicability of the generation-skipping transfer tax.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. LIMITATION ON APPLICABILITY OF GENERA-**  
4 **TION-SKIPPING TRANSFER TAX.**

5 (a) IN GENERAL.—Section 2651 of the Internal Rev-  
6 enue Code of 1986 (relating to generation assignment) is  
7 amended by redesignating subsection (e) as subsection (f),  
8 and by inserting after subsection (d) the following new  
9 subsection:

1       “(e) SPECIAL RULE FOR PERSONS WITH A DE-  
2 CEASED PARENT.—

3               “(1) IN GENERAL.—For purposes of determin-  
4 ing whether any transfer is a generation-skipping  
5 transfer, if—

6               “(A) an individual who has an interest in  
7 property is a descendant of a parent of the  
8 transferor (or the transferor’s spouse or former  
9 spouse), and

10              “(B) such individual’s parent who is a lin-  
11 eal descendant of the parent of the transferor  
12 (or the transferor’s spouse or former spouse) is  
13 dead at the time the transfer from which such  
14 interest is established or derived is subject to a  
15 tax imposed by chapter 11 or 12 upon the  
16 transferor (and if there shall be more than 1  
17 such time, then at the latest such time),

18 such individual shall be treated as if such individual  
19 were a member of the generation which is 1 genera-  
20 tion below the lower of the transferor’s generation or  
21 the generation assignment of the youngest living an-  
22 cestor of such individual who is also a descendant of  
23 the parent of the transferor (or the transferor’s  
24 spouse or former spouse), and the generation assign-

1       ment of any descendant of such individual shall be  
2       adjusted accordingly.

3           “(2) LIMITED APPLICATION OF SUBSECTION TO  
4       COLLATERAL HEIRS.—This subsection shall not  
5       apply to any individual who is not a lineal descend-  
6       ant of the transferor (or the transferor’s spouse or  
7       former spouse) if, at the time of the transfer, such  
8       transferor has any living lineal descendant.”

9       (b) CONFORMING AMENDMENTS.—

10           (1) Section 2612(c) of the Internal Revenue  
11       Code of 1986 (defining direct skip) is amended by  
12       striking paragraph (2) and by redesignating para-  
13       graph (3) as paragraph (2).

14           (2) Section 2612(c)(2) of such Code (as so re-  
15       designated) is amended by striking “section  
16       2651(e)(2)” and inserting “section 2651(f)(2)”.

17       (c) EFFECTIVE DATE.—The amendments made by  
18       this section shall apply to terminations, distributions, and  
19       transfers occurring after the date of the enactment of this  
20       section.

○